

JESSE LASLOVICH
Office of the Commissioner of Securities
and Insurance, Montana State Auditor (CSI)
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Attorney for the CSI

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
OFFICE OF THE STATE AUDITOR
STATE OF MONTANA**

IN THE MATTER OF:

Case No.: SEC-2009-6
I-12-29-08-281

CORNERSTONE FINANCIAL
CORPORATION
13 2nd Ave.
Polson, MT, 59860
an unregistered broker-dealer firm and
securities issuer;

K & B INVESTMENTS, LLC
49158 Highway 93
Polson, MT, 59860
An unregistered broker-dealer and securities
issuer;

KEITH KOVICK, individually, in his
capacity as President, Director and
incorporator for Cornerstone Financial
Corporation, in his capacity as an
unregistered securities salesperson, and in
his capacity promoting and conducting a
Ponzi scheme;

ROBERT J. CONGDON, individually, in
his capacity as Secretary and incorporator
for Cornerstone Financial Corporation, in
his capacity as an unregistered securities
salesperson, and in his capacity promoting
and conducting a Ponzi scheme;

JOHN AND JANE DOES 1-10;

Respondents.

**CONSENT AGREEMENT AND FINAL
ORDER RE ROBERT J. CONGDON**

This Consent Agreement and Final Order (Agreement) is entered into by the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), acting pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101, et seq. (Act), and Robert J. Congdon (Respondent).

RECITALS

WHEREAS, Respondent was Secretary, incorporator, and a salesperson of Cornerstone Financial Corporation (Cornerstone) from May 16, 2000, through December 1, 2010;

WHEREAS, on April 15, 2009, the CSI initiated an Agency Action against Respondent for violations of the Act;

WHEREAS, the CSI investigated Respondent's activity, which included issuing unregistered securities in the form of short-term, high-yield promissory notes; issuing said securities while not licensed as a securities salesperson or broker with the State of Montana; failing to inform clients that he was not licensed to perform these transactions; commingling investor funds in Cornerstone's general and operating accounts; and using allegedly escrowed investor funds to make payments to prior investors;

WHEREAS, the CSI alleges that Respondent violated Mont. Code Ann. § 30-10-202 by issuing and selling securities not registered with the CSI or exempt under the Act;

WHEREAS, the CSI alleges that Respondent violated Mont. Code Ann. § 30-10-201(1) by issuing and selling securities while not licensed to do so with the CSI;

WHEREAS, the CSI alleges that Respondent violated Mont. Code Ann. § 30-10-325 by operating a Ponzi scheme in the course of business;

WHEREAS, the CSI alleges that Respondent violated Mont. Code Ann. §30-10-301(1)(b) by making untrue statements of fact to clients and failing to disclose material facts necessary to avoid misleading his clients;

WHEREAS, the CSI alleges that Respondent violated Mont. Code Ann. § 30-10-301(1)(c) by engaging in deceptive and fraudulent practices in the course of business;

WHEREAS, the CSI and Respondent agree that the best interests of the public would be served by entering into this Agreement;

NOW, THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the CSI and Respondent hereby agree to settle this matter pursuant to the following terms and conditions:

STIPULATIONS AND CONSENTS

- I. Respondent admits he violated Mont. Code Ann. § 30-10-202 by issuing and selling securities not registered with the CSI or exempt under the Act;
- II. Respondent admits he violated Mont. Code Ann. § 30-10-201(1) by issuing and selling securities without being licensed by the CSI;
- III. Respondent admits he violated Mont. Code Ann. §30-10-301(1)(b) by failing to disclose to his clients that he was not licensed to transact business in securities;
- IV. Respondent admits he violated Mont. Code Ann. §30-10-301(1)(b) by telling investors he would record documents securing properties as collateral, and then failing to do so;
- V. Without admitting or denying any of the CSI's allegations to which he has not previously admitted in this Agreement, Respondent stipulates and consents to the following:
 - A. Respondent shall pay a \$100,000 fine to the State of Montana. The fine is due within two years of the execution of this Agreement. This fine amount shall be

reduced on a dollar-for-dollar basis by any and all amounts Respondent pays in restitution.

B. Respondent shall make restitution as provided in Exhibit A. Such amounts reflected in Exhibit A must be offset by any amount the victim(s) has/have already received either from the Respondent or other sources. Other sources include, but are not limited to, payments received from defaults, payments received from foreclosures, or payments made to pay off any notes, including whether the entire note was paid off. If the respective note has already been paid off, then the Respondent is not responsible for making restitution to the respective victim(s). The Respondent must submit to the CSI proper documentation showing that the victim(s) has/have received payments on their respective notes and such documentation must meet the satisfaction of the CSI. After review of the documentation or without receiving documentation, the CSI must determine the ultimate amount of Restitution owed to each victim, but in no event shall the amount owed the respective victim exceed the amount listed in Exhibit A for that respective victim. If Keith Kovick is ordered to pay restitution, then both Respondent and Keith Kovick are jointly and severally liable for the restitution amount.

C. Respondent is permanently banned from applying for securities licensing or registration in Montana.

D. Respondent shall cooperate with the CSI in resolving this Agency Action in its entirety including, but not limited to, providing relevant information and testimony about the conduct of the other Respondents;

E. Respondent fully and forever releases and discharges the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner); the CSI; and all of the

CSI's employees and agents from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of this Agreement.

F. Except as provided above, this Agreement is entered without adjudication of any issue, law, or fact. It is entered into solely for the purpose of resolving the CSI's investigation and allegations and is not intended to be used for any other purpose.

G. Upon execution of this Agreement, Respondent acknowledges and waives his right to appeal the Commissioner's Order.

H. This Agreement constitutes the entire agreement between the parties and no other promises or agreements, either express or implied, have been made by the CSI or by any member, officer, agent, or representative of the CSI to induce Respondent to enter into this Agreement.

I. This Agreement may not be modified orally and any subsequent modifications to this Agreement must be mutually agreed upon in writing to be effective.

J. This Agreement shall be incorporated into and made a part of the attached Final Order issued by the Commissioner herein.

K. Upon execution of this Agreement, the CSI will not commence an administrative action against Respondent based upon the activities giving rise to the CSI's investigation that occurred prior to the execution of this Agreement.

L. This Consent Agreement shall be effective upon signing of the Final Order.

M. Respondent further understands that, upon the signing of the Final Order by the Commissioner or her representative, this Agreement will be an order of the

Commissioner and failure to comply may constitute separate violations of the Securities Act pursuant to Mont. Code Ann. § 30-10-305 and/or other applicable statutes or rules. The CSI reserves the right to take subsequent legal action for failure to comply with the Final Order, including seeking fines.

N. The Agreement and final order are public records under Montana law and as such may not be sealed or otherwise withheld from the public.

DATED this 12th day of February, 2019.

**OFFICE OF THE COMMISSIONER OF
SECURITIES AND INSURANCE**

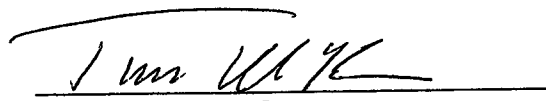
By: 

JESSE LASLOVICH
Chief Legal Counsel

DATED this 5 day of January, 2012.


ROBERT J. CONGDON

Approved as to Legal Content


TIM McKEON
Counsel for Respondent


FINAL ORDER

Pursuant to the authority vested by Mont. Code Ann. § 2-4-603 and § 30-10-101, et seq.,
and upon review of the foregoing Consent Agreement and good cause appearing,

IT IS HEREBY ORDERED that the foregoing Consent Agreement between the Office
of the Commissioner of Securities and Insurance, Montana State Auditor, and the Respondent,
Robert J. Congdon, is adopted as if set forth fully herein.

DATED this 2nd day of February, 2012. *u*

MONICA J. LINDEEN
Commissioner of Securities and Insurance,
Montana State Auditor

By: 
LYNNE EGAN
Deputy Securities Commissioner

cc: Jesse Laslovich
Robert J. Congdon

CERTIFICATE OF SERVICE

I hereby certify the foregoing was served by US mail, first-class postage paid, on the
2nd day of February, 2012 to the following:

Timothy McKeon
McKeon Doud, PC
P.O. Box 7878
Kalispell, MT 59904

Keith Kovick
76 Sunrise Drive
Polson, MT 59860

K & B Investments, LLC
c/o Robert Congdon

Cornerstone Financial Corporation
c/o Robert Congdon

A handwritten signature in black ink, appearing to read "Robert Congdon", is written over a horizontal line. The signature is stylized with large, flowing loops.

<u>Investor Name(s)</u>	<u>Investment</u>	<u>Investor Amount</u>	<u>Comments</u>
[REDACTED]	[REDACTED]	\$ 120,000.00	
[REDACTED]	[REDACTED]	\$ 42,800.00	
	[REDACTED]	\$ 33,750.00	
	[REDACTED]	\$ 76,550.00	
B.K. [REDACTED]	[REDACTED]	\$ 195,000.00	
B. [REDACTED]	[REDACTED]	\$ 115,000.00	
FC.B. [REDACTED]	[REDACTED]	\$ 75,000.00	
F.B.	[REDACTED]	\$ 32,500.00	
F.B. and M.B.	[REDACTED]	\$ 230,000.00	
M.B.	[REDACTED]	\$ 32,500.00	
T.B.	[REDACTED]	\$ 99,975.00	
	[REDACTED]	\$ 99,975.00	
	[REDACTED]	\$ 199,950.00	
C.R.B. and M.B.	[REDACTED]	\$ 138,000.00	
K.B.	[REDACTED]	\$ 29,970.00	
K.B. and D.B.	[REDACTED]	\$ 45,600.00	
D.B. and J.B.	[REDACTED]	\$ 64,500.00	
C. [REDACTED]	[REDACTED]	\$ 65,000.00	
C. [REDACTED]	[REDACTED]	\$ 75,000.00	
B.C.	[REDACTED]	\$ 21,000.00	
D.C.	[REDACTED]	\$ 26,000.00	
	[REDACTED]	\$ 46,000.00	
	[REDACTED]	\$ 83,400.00	
	[REDACTED]	\$ 155,400.00	
C.F. [REDACTED]	[REDACTED]	\$ 65,000.00	
L.C.	[REDACTED]	\$ 33,750.00	
J.C. and A.C.	[REDACTED]	\$ 30,000.00	
	[REDACTED]	\$ 5,400.00	
	[REDACTED]	\$ 35,400.00	
B.C.	[REDACTED]	\$ 60,000.00	
S.C.	[REDACTED]	\$ 12,000.00	
A.D. and D.D.	[REDACTED]	\$ 30,000.00	
	[REDACTED]	\$ 34,950.00	
	[REDACTED]	\$ 64,950.00	
D.D.	[REDACTED]	\$ 195,000.00	
	[REDACTED]	\$ 200,025.00	
	[REDACTED]	\$ 91,865.00	

Exhibit A

		\$	200,025.00
		\$	686,915.00
D.D. and T.D.		\$	97,500.00
D.D. and C.D.		\$	30,400.00
J.D. and G.D.		\$	74,900.00
		\$	47,550.00
		\$	52,500.00
		\$	44,750.00
		\$	34,650.00
		\$	254,350.00
E.S.		\$	182,000.00
S.E.		\$	75,000.00
E.E.		\$	98,450.00
		\$	50,400.00
		\$	5,025.00
		\$	39,960.00
		\$	193,835.00
E.T.		\$	96,300.00
S.E.		\$	50,000.00
E.		\$	130,000.00
		\$	300,000.00
		\$	225,000.00
		\$	575,000.00
		\$	1,230,000.00
C.F.		\$	9,975.00
		\$	10,710.00
		\$	20,685.00
G.F.		\$	25,000.50
		\$	35,000.00
		\$	10,080.00
		\$	70,080.50
S.F.		\$	40,000.00
		\$	50,000.00
		\$	40,000.00
		\$	35,129.00
		\$	165,129.00
H.G. and M.G.		\$	11,000.00
T.G. and M.G.		\$	39,000.00
G.		\$	32,100.00
		\$	87,263.00
		\$	119,363.00
T.G.		\$	64,200.00
		\$	111,875.00
		\$	40,950.00
		\$	217,025.00

R.H.	[REDACTED]	\$	27,375.00
G.H.	[REDACTED]	\$	49,950.00
P.H.	[REDACTED]	\$	55,000.00
J.H. and J.H.	[REDACTED]	\$	75,000.00
R.H.	[REDACTED]	\$	249,975.00
	[REDACTED]	\$	299,770.00
	[REDACTED]	\$	549,745.00
D.H. and S.H.	[REDACTED]	\$	375,000.00
J&MC [REDACTED]	[REDACTED]	\$	184,000.00
T.J. and M.J.	[REDACTED]	\$	24,975.00
M.J. and M.J.	[REDACTED]	\$	70,300.00
	[REDACTED]	\$	50,001.00
	[REDACTED]	\$	30,000.00
	[REDACTED]	\$	19,950.00
	[REDACTED]	\$	26,850.00
	[REDACTED]	\$	34,650.00
	[REDACTED]	\$	231,751.00
L.K.	[REDACTED]	\$	9,975.00
B.K.	[REDACTED]	\$	40,000.00
	[REDACTED]	\$	20,000.00
	[REDACTED]	\$	20,000.00
	[REDACTED]	\$	30,000.00
	[REDACTED]	\$	110,000.00
KTM, LLC	[REDACTED]	\$	506,000.00
C.K. and J.K.	[REDACTED]	\$	85,500.00
	[REDACTED]	\$	160,500.00
	[REDACTED]	\$	246,000.00
C.M.	[REDACTED]	\$	50,000.00
R.N.	[REDACTED]	\$	72,500.00
D.N. and J.N.	[REDACTED]	\$	50,001.00
	[REDACTED]	\$	100,000.00
	[REDACTED]	\$	100,000.00
	[REDACTED]	\$	150,000.00
	[REDACTED]	\$	60,000.00
	[REDACTED]	\$	80,000.00
	[REDACTED]	\$	45,000.00
	[REDACTED]	\$	150,120.00
	[REDACTED]	\$	735,121.00
O. & W [REDACTED]	[REDACTED]	\$	44,750.00
	[REDACTED]	\$	34,650.00
	[REDACTED]	\$	79,400.00
V.O.	[REDACTED]	\$	72,500.00

J.O. and D.M.	[REDACTED]	\$	100,000.00
K.P. and S.P.	[REDACTED]	\$	15,000.00
	[REDACTED]	\$	50,001.00
	[REDACTED]	\$	15,150.00
	[REDACTED]	\$	80,151.00
S.P.	[REDACTED]	\$	4,699.00
Q.S. [REDACTED]	[REDACTED]	\$	65,000.00
	[REDACTED]	\$	150,000.00
	[REDACTED]	\$	215,000.00
Q.W.W. [REDACTED]	[REDACTED]	\$	307,500.00
	[REDACTED]	\$	249,975.00
	[REDACTED]	\$	200,025.00
	[REDACTED]	\$	91,865.00
	[REDACTED]	\$	849,365.00
C.R. and K.R.	[REDACTED]	\$	35,000.00
	[REDACTED]	\$	34,200.00
	[REDACTED]	\$	9,999.50
	[REDACTED]	\$	40,275.00
	[REDACTED]	\$	13,860.00
	[REDACTED]	\$	133,334.50
K.R.	[REDACTED]	\$	4,699.00
R.T.E. [REDACTED]	[REDACTED]	\$	200,090.00
L.R.	[REDACTED]	\$	4,699.00
K.R.	[REDACTED]	\$	35,310.00
	[REDACTED]	\$	43,500.00
	[REDACTED]	\$	228,225.00
	[REDACTED]	\$	40,950.00
	[REDACTED]	\$	75,000.00
	[REDACTED]	\$	65,000.00
	[REDACTED]	\$	5,000.00
	[REDACTED]	\$	30,000.00
	[REDACTED]	\$	522,985.00 combined with River Terrace Estate, Inc.
D.R. and P.R.	[REDACTED]	\$	25,000.00
	[REDACTED]	\$	35,000.00
	[REDACTED]	\$	50,000.00
	[REDACTED]	\$	110,000.00
C.R.	[REDACTED]	\$	299,600.00
	[REDACTED]	\$	43,500.00
	[REDACTED]	\$	150,000.00
	[REDACTED]	\$	202,500.00
	[REDACTED]	\$	73,838.00
	[REDACTED]	\$	769,438.00
R.T. [REDACTED]	[REDACTED]	\$	64,200.00
	[REDACTED]	\$	199,500.00
	[REDACTED]	\$	100,000.00
	[REDACTED]	\$	40,000.00
	[REDACTED]	\$	50,000.00
	[REDACTED]	\$	40,000.00
	[REDACTED]	\$	52,500.00

		\$	44,750.00
		\$	44,100.00
		\$	33,000.00
		\$	35,000.00
		\$	150,000.00
		\$	55,000.00
		\$	15,000.00
		\$	923,050.00
S.H.		\$	37,500.00
J.S.		\$	140,000.00
P.S.		\$	101,250.00
		\$	50,000.00
		\$	151,250.00
R.S. and C.S.		\$	75,001.50
		\$	101,250.00
		\$	50,000.00
		\$	226,251.50
S.		\$	207,000.00
A.T.		\$	120,000.00
B.T. and B.T.		\$	140,000.00
		\$	45,000.00
		\$	185,000.00
P.T.		\$	45,000.00
T.L.		\$	75,000.00
D.T.		\$	75,000.00
		\$	115,000.00
		\$	190,000.00
S.U.		\$	44,750.00
W.A.		\$	150,000.00
		\$	230,000.00
		\$	380,000.00
K.W. and M.W.		\$	65,000.00
		\$	37,500.00
		\$	102,500.00